1	BEFORE THE ARIZONA CORPORATION COMMISSION	
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3	WILLIAM A. MUNDELL Chairman JIM IRVIN Commissioner MARC SPITZER Commissioner	
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6	In the matter of: ) DOCKET NO. S-03476A-02-0000	
7	DAVID CARROLL LOACH 2237 E. Virginia Avenue  ) NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED	
8	Phoenix, Arizona 85006 (CRD #1251138) ORDER TO CEASE AND DESIST, FOR RESTITUTION AND ADMINISTRATIVE	
9	) PENALTIES, OF REVOCATION, AND	
10	GARY MILBURN LAHA  4311 W. Sweetwater Road  ) FOR OTHER AFFIRMATIVE ACTION )	
11	Glendale, Arizona 85304	
12	Respondents.	
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14	NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING	
15	The Securities Division ("Division") of the Arizona Corporation Commission ("Commission")	
16	alleges that respondents have engaged in acts, practices and transactions, which constitute violations of	
17	the Securities Act of Arizona, A.R.S. § 44-1801 et seq. ("Securities Act"), and further alleges that facts	
18	exist which warrant revocation of each respondent's registration as a securities salesman in Arizona.	
19	I.	
20	JURISDICTION	
21	1. The Commission has jurisdiction over this matter pursuant to Article XV of the	
22	Arizona Constitution and the Securities Act.	
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26	II.	

#### RESPONDENTS

- 2. Respondent David Carroll Loach ("LOACH") became a registered securities salesman in Arizona on April 1, 1986. He was associated with American Express Financial Advisors, Inc. ("Amex"), from that date until his termination on August 21, 2001. LOACH's last known address is 2337 East Virginia Avenue, Phoenix, Arizona 85006.
- 3. Respondent Gary Milburn Laha ("LAHA") became a registered securities salesman in Arizona on March 5, 1992. He was associated with Amex from that date until his voluntary termination on or about September 6, 2001. His voluntary termination was effected while an Amex internal review of his activities was underway. LAHA was briefly associated with another dealer in January 2002, but he left that firm on January 31, 2002. LAHA's application for Arizona registration in association with that firm was terminated without the registration having been approved, on February 5, 2002. LAHA's last known address is 4311 West Sweetwater Road, Glendale, Arizona 85304.
- 4. Pursuant to A.R.S. § 44-1947(B), the registrations of LOACH and LAHA expired on December 31, 2001. Nonetheless, pursuant to A.R.S. §§ 44-1947(D) and 44-1963(D), the Commission has the power to suspend or revoke their registrations.
  - 5. LOACH and LAHA may be referred to collectively, as "RESPONDENTS."

#### III.

# **FACTS**

- 6. Ecodom Corporation is an Arizona corporation, formed on October 17, 1996. At that time, the corporation's name was Airzone International Corporation. It changed its name to Ecodom Corporation on April 1, 1999. In this Notice, the corporation will be called "Ecodom." The last known address of Ecodom is 12629 North Tatum Boulevard, #135, Phoenix, Arizona 85032.
- 7. In or about January 1999, LOACH introduced LAHA to LOACH's friend Zeev Tchetchik, the chief executive officer of Ecodom. The three men discussed raising capital for Ecodom, over the next several months.

- 8. On or about August 2, 1999, LAHA offered and sold unregistered securities, specifically, Ecodom common stock, to at least one investor. This person invested \$25,000.00 in Ecodom.
  - 9. LAHA offered and sold such securities from Arizona.
- 10. Ecodom paid LAHA a commission of \$2,500.00 as compensation for this sale, representing 10% of the amount the investor had paid for the Ecodom stock. Ecodom wrote two checks totaling \$2,500.00, payable to the order of LAHA, and LAHA endorsed these and deposited them into a personal checking account, which he owned jointly with his wife.
- 11. During the period August 1999 through July 2001, LOACH offered and sold unregistered securities, specifically, Ecodom common stock, to at least 15 investors. These persons invested a total of \$845,800.00 in Ecodom.
  - 12. LOACH offered and sold such securities, within or from Arizona.
- 13. Ecodom paid LOACH commissions totaling \$6,000.00 on account of his sales of Ecodom common stock, between August 1999 and January 2000. Ecodom wrote four checks totaling \$6,000.00, payable to the order of LOACH, and LOACH endorsed these and deposited them into his personal bank account.
- 14. During the year 2000, and continuing until July 2001, LOACH agreed to continue, and did continue raising capital for Ecodom while foregoing current compensation for his efforts. Ecodom and LOACH agreed that the earned but unpaid commissions were loans from LOACH to Ecodom.
- 15. In or about August 2001, LOACH initiated a call to an Amex executive and reported his selling activity with respect to Ecodom common stock, to Amex.
- 16. The investors who bought Ecodom common stock have received no dividends or other returns on their investments.
- 17. Neither LOACH nor LAHA sought or received approval from their dealer, Amex, to engage in offering or selling Ecodom common stock.

18.	Neither LOACH nor LAHA reported any of their sales of Ecodom common stock
to Amex, and	consequently such sales were not recorded on the books and records of the dealer
with which the	ey were associated at the time of the sales.

- 19. During 1999-2001, Amex required its salesmen to complete a questionnaire at least annually, and at any time they commenced a new outside business activity, called the "Outside Activities Disclosure Form." This form instructed the salesmen to report, among other things, any "source of compensation outside the company," and any "business involvement outside of the company, regardless of whether compensation is received from that activity."
- 20. During 1999-2001, both LOACH and LAHA signed and delivered to Amex, one or more Outside Activities Disclosure Forms. Neither LOACH nor LAHA disclosed to Amex their involvement in offering and selling Ecodom common stock, or the compensation they received from Ecodom, on such forms or otherwise, until LOACH's telephone call in August 2001.

IV.

# **VIOLATION OF A.R.S. § 44-1841**

# (Offer or Sale of Unregistered Securities)

- 21. On or about August 2, 1999, respondent LAHA offered and sold, and from August 1999 through July 2001, respondent LOACH offered and sold, securities in the form of common stock of Ecodom Corporation, within or from Arizona.
- 22. The securities referred to above were not registered pursuant to the provisions of Article 6 or Article 7 of the Securities Act.
  - 23. This conduct violates A.R.S. § 44-1841.

V.

# **REVOCATION OR SUSPENSION PURSUANT TO A.R.S. § 44-1962**

(Denial, Revocation or Suspension of Registration of Salesman)

24. RESPONDENTS' conduct is grounds to revoke or suspend their registrations as securities salesmen with the Commission pursuant to A.R.S. § 44-1962. Specifically, each of RESPONDENTS has:

- a. Engaged in conduct specified by A.R.S. § 44-1962(A)(2), in that he violated a provision of the Securities Act by selling unregistered securities within or from Arizona; and
- b. Engaged in conduct specified by A.R.S. § 44-1962(A)(10) and Ariz. Admin. Code R14-4-130(A)(17), by effecting sales of securities that were not recorded on the books and records of the dealer with which he was associated at the time of the sales, and by submitting to the dealer one or more written statements regarding his activities outside the firm that were materially misleading.

#### VI.

# REQUESTED RELIEF

The Division requests that the Commission grant the following relief against RESPONDENTS:

- 1. Order each RESPONDENT to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;
- 2. Order each RESPONDENT to take affirmative action to correct the conditions resulting from his acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;
- 3. Order each RESPONDENT to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act committed by him, pursuant to A.R.S. § 44-2036;
- 4. Order the revocation of LOACH's registration as a securities salesman pursuant to A.R.S. § 44-1962;

- 5. Order the revocation of LAHA's registration as a securities salesman pursuant to A.R.S. § 44-1962; and
  - 6. Order any other relief that the Commission deems appropriate.

# VII.

#### **HEARING OPPORTUNITY**

Each RESPONDENT may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A request must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made by either RESPONDENT, the Commission may, without a hearing, enter an order against that RESPONDENT granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shelly M. Hood, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-mail <a href="mailto:shood@cc.state.az.us">shood@cc.state.az.us</a>. Requests should be made as early as possible to allow time to arrange the accommodation.

Dated this \_\_\_\_\_ day of May, 2002.

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# Docket No. S-03476A-02-0000

Victor Rodarte Assistant Director of Securities